

March 18, 2003

Marlene Dortch
Secretary
Federal Communications Commission
445-12th Street, SW
Room TW-A325
Washington, DC 20554

Electronic Filing
Ex Parte Presentations
Ysleta and IBM Requests for Review
CC Docket Nos. 96-45, 97-21 and 02-6
WCB Docket No. DA 03-803

Dear Ms. Dortch:

On March 6 and 7, 2003, State E-Rate coordinators including Gary Rawson, Mississippi; Ricardo Tostado, Illinois; Win Himsworth, New York; Greg Weisiger, Virginia; and Julie Tritt Schell, Pennsylvania met with Marsha MacBride, Chief of Staff for Chairman Powell; Lisa Zaina, Legal Advisor to Commissioner Adelstein; Commissioner Martin; Dan Gonzalez, Legal Advisor to Commissioner Martin; Alexis Johns, Legal Advisor to Commissioner Copps; Mathew Brill, Legal Advisor to Commissioner Abernathy; and Jessica Rosenworcel, Legal Advisor to Wireline Competition Bureau Chief. A meeting was also held with Wireline Competition Bureau staff including William Maher, Bureau Chief; Carol Matthey, Deputy Bureau Chief; and Telecommunications Access Policy Division staff including Eric Einhorn, Acting Division Chief; Mark Seifert, Deputy Division Chief; Katherine Tofigh; and Narda Jones.

The purpose of the presentations was to support a petition for reconsideration filed by King and Queen County, Virginia schools filed under Docket Numbers 96-45 and 97-21; discuss matters related to the Review of Universal Service Notice of Proposed Rule Making (NPRM), CC Docket Number 02-6, and discuss issues related to waste, fraud or abuse associated with the E-Rate program.

In addition to specific legal issues related to the King and Queen petition for reconsideration, issues outlined in the attached document presented by attendees to commission staff were discussed. During the presentations specific instances of potential waste, fraud, or abuse of the Universal Service, E-Rate program were discussed including commission decisions involving Mastermind. Circumstances surrounding the Ysleta denial were also discussed. Attendees expressed concern that resulting regulations would increase complexity of the program with additional regulations or policies. It was noted that on average, 20 percent of applications are denied each year predominantly because of policy issues. Potential remedies for waste, fraud, or abuse outlined in NPRM comments were reiterated. Suggestions for streamlining and improving the program were presented. Attendees encouraged commission staff to move quickly forward with NPRM Orders.

Sincerely,

Greg Weisiger
Virginia Department of Education
P.O. Box 2120
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**Meetings with FCC Commissioners and Staff
Waste, Fraud, Abuse and Reform
March 6 – 7, 2003**

Attendees:

Gary Rawson, Mississippi
Ricardo Tostado, Illinois
Win Himsworth, New York
Greg Weisiger, Virginia
Julie Tritt Schell, Pennsylvania

Purpose of Meeting:

Discuss concerns about:

- Widely publicized waste, fraud and abuse of E-rate funds;
- Increased complexity of program; and
- Delays in funding, policy-making and appeal decisions.

Provide suggestions for reform in each of these areas.

- As state coordinators we have not only witnessed the increasing waste, fraud and abuse, but have been monitoring the recent events closely.
- Problem is significant, but not pervasive as media leads elected officials and public to believe.
- We view problem as combination of:
 - outlandish marketing practices and wildly inflated prices of some vendors, particularly to uninformed and poor applicants are targets.
 - dramatic increase in complexities of eligibility rules and funding procedures leaves such applicants with no choice but to seek help from “fraudulent consultants,” or vendors with big promises. Other option is to not apply.
 - 10% contributions by high discount applicants are not sufficiently high enough to constrain project scopes and/or assure most cost effective solutions.
- We view the solution as a combination of all of these:

- Impose a much greater financial commitment by applicant for internal connections, reducing the 90% discount to 50-75%. 90% discounts create undue opportunities for waste, fraud, and abuse (see CCSSO and most other states' NPRM comments). Applicants will be much less likely to purchase something they don't need if they are spending 50-75% of their own money to do so.
- Encourage the SLD to use "economic reasonableness" as part of their review of large \$ applications, as cited in the Telecom Act.
- Limit amount of time between when an applicant can apply for priority 2 funding for a particular building to every 2-3 years, excluding reasonable maintenance agreements. This will eliminate applicants from purchasing the newest and better equipment year after year simply because of the E-rate discounts.
- Be cautious that the current focus on WFA does not lead to a host of new procurement rules that will harm the 99% of applicants that are not abusing the program.
- Release NPRM Orders quickly, enacting many of the reforms that were initiated in the NPRM so that Year 7 can be affected.